**Figure 1**

# Portfoliomanagement

Part two of our series on product management focuses on the role
of portfolio management in managing existing products as well as
selecting and managing products for the product portfolio

**The first article of this series** defined product management as the role within a business that has the responsibility for managing the product portfolio. It also outlined the three core processes of portfolio management, project management, and resource management (figure 1), as well as the

of these two issues often leads to a weak product portfolio that ultimately delivers lower profit margins.

Portfolio management and its enabling process steps and roles mitigate or eliminate these conditions (Table 1). Portfolio Management, as defined, is a systematic process that manages the

is an idea whose time has come'. *Victor Hugo (1802-1885) French poet, dramatist and novelist.* Product ideas are conceived and ultimately communicated through a variety of means and channels, often unique to the industry or specific to a business. They can be conceived by consumers,
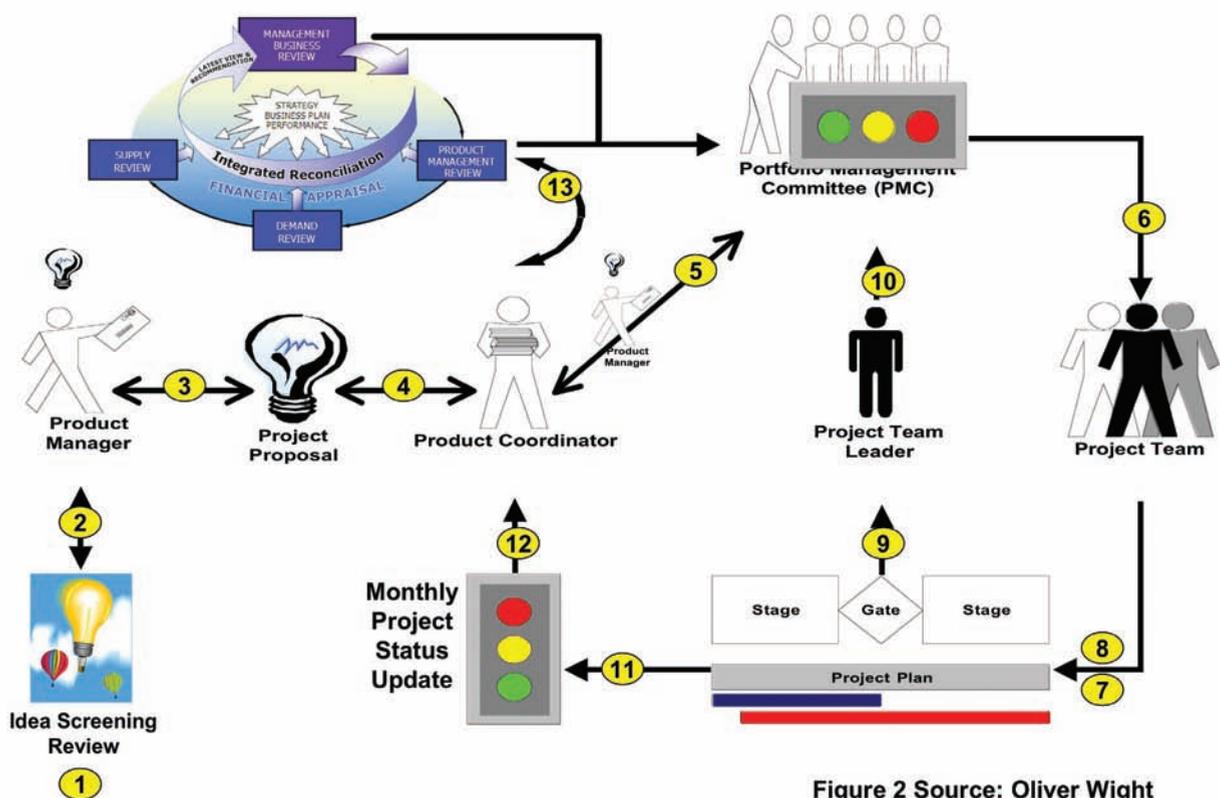


Figure 2 Source: Oliver Wight

thirteen enabling steps and roles of the process (figure 2).Many organizations do not have a systematic process in place to manage existing products through their lifecycles. There is also a lack of systematic processes for selecting and managing products to be phased in and phased out of the product portfolio. The combination

products of a business through all the stages of the product lifecycle and is guided by the strategic intent and profit objectives of the business.

***Portfolio Management Enabling Process Steps and Roles:***
**1. Idea screening**

'There is one thing stronger than all the armies in the world, and that

customers, suppliers, employees or by engaging an external product development service. Product ideas are generated through surveys, focus groups, individual contemplation, ideation sessions or research, and are communicated through documented reports and studies and physical or electronic idea submittal processes.

| Portfolio Management | Process Step | Process Step Description |
|---|---|---|
| Enabling Processes & Roles | 1 | Idea Screening |
| | 2 | Product Manager |
| | 3 | Project Proposal |
| | 4 | Product Coordinator |
| | 5 + 10 | Portfolio Management Committee (PMC) |

Table 1

No matter how the ideas are initially conceived and communicated, all must be first subjected to an initial screening step. The initial evaluation of the conceptual product ideas that are submitted to the business occurs during the formal Idea Screening Review. Here, they are evaluated and considered based on a series of "yes" or "no" criteria, such as:

• Strategic fit: Does the idea align with the strategic intent of the business?

• Market attractiveness: Are the market size, growth, and opportunities attractive?

• Technical feasibility: Is there a reasonable likelihood that the product can be developed and produced?

• Disqualifying variables: Are there any known legal, regulatory, or environmental issues?

Financial criteria and hurdles are not part of the initial idea screening process. The ideas having potential merit are then distributed to the appropriate product managers for further evaluation.

**2. Product manager**

Product managers are responsible for refining the product ideas that pass the initial screening review and make their decisions on whether to further develop an idea based on the specific needs of the product portfolio. It is also critical that product managers manage each product through its entire product lifecycle. This includes existing products as well as new products to be phased in and mature products scheduled to be phased out of the product portfolio.

For the ideas that address a need in the current product portfolio, the product manager works with the sponsor of the idea to complete a project proposal form. The objective is to expand on the criteria used in the idea screening review. Additional information is obtained and detailed for:

• Strategic alignment
• Project feasibility
• Magnitude of the opportunity
• Market attractiveness
• Product advantage
• Ability to leverage the businesses resources
• Fit with business policies.

High-level financial criteria and hurdles are now considered and included as part of the product managers' screening process.

**3. Project proposal**

It is in the project proposal stage where the business case for each idea is developed and documented. The project proposal form is used for this purpose and typically involves a more detailed investigation of the product idea that results in a clear definition of the product, its value proposition, its target market, the voice of the customer, the competitive landscape, technical feasibility and the supporting financial plan.

The content of the project proposal form will vary depending on the type of project being proposed—a completely new product, line extension, packaging change, change in manufacturing source, divestiture, or product kill.

Completing the project proposal form for the idea requires significantly more effort than the initial idea screening and the product manager screening. Part of the reason is that the necessary inputs are required from multiple sources and at a greater level of detail. We recommend that this task be assigned to a cross-functional group that will most likely form the nucleus of the project team if the project is approved.

The project proposal form will be used as the basis for the next step in the process, the evaluation, which will be conducted by the Portfolio Management Committee. This group of senior executives decides whether the idea should progress to the next stage of development and, thus, become a formal project within the business.

#### 4. Product coordinator

The project proposal form, once completed, is submitted to the product coordinator, who reviews the project proposal form for accuracy and completeness. It is important to note that the product coordinator does not evaluate the merits of the idea being proposed, but he or she does have a vital role in an effective product management process and is responsible for:

• Overall product management process

• Coordination between the product managers and the Portfolio Management Committee

• Coordination between the project managers and the Portfolio Management Committee

• Coordination of the monthly project status update (input to Sales & Operations Planning process)

• Coordination of the monthly Product Management Review (Step 1 of the S&OP process).

If all is in order with the project proposal form, the product coordinator schedules a gate review with the Portfolio Management Committee.

#### 5. Portfolio Management Committee (PMC)

The PMC is a cross-functional decision-making committee that assesses the merits of projects based on how well they support the strategic intent and profit objectives of the business. All project proposal forms are evaluated in the context of the entire product portfolio, and only the PMC has the authority to add or subtract a product from the product portfolio.

Many businesses use scoring models where the PMC members score a proposed project using predetermined criteria. The source of their information is the project proposal form. Scoring the proposed project allows the PMC to compare the project to other proposed or approved projects and then to prioritize it based on attractiveness and available resources.

Typically, most businesses have more opportunities than they have the resources to support, so once the proposed project has been scored and prioritized, a decision is made whether the project should go onto the next stage, be put on hold until resources are available to execute it, recycle to the previous stage to gather additional information required by the PMC, or be killed.

If the project is given the green light to go to the next stage, a project team is formed which then executes the tasks associated with the next stage of the project. If the project is put on hold, no further work is done on the project until authorized by the PMC.

When the decision is made to recycle a project, the project sponsor and product manager gather the additional information required by the PMC and resubmit the project proposal form to the product coordinator. If the project is killed, then no further work is done on it.

After the project team has completed the tasks associated with a specific stage of the project and before they can move onto the subsequent stage of work, the project team leader presents the results of the work before the PMC, commonly referred to as a Gate Review Meeting. This Gate Review process is repeated after each stage of work.

The third article in this series will explain how the project management core process and its enabling process steps and roles support an effective product management process. ∎